

## Message Text

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ORIGIN ARA-14

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SP-02 INR-07 INRE-00 PM-04 H-01 /049 R

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S/AB: SMLINOWITZ

A/PAN:RRWYROUGH

L/ARA:MGKOZAK

S/S: MACFARLANE

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FM SECSTATE WASHDC

TO USDEL SECRETARY FLASH

INFO AMEMBASSY PANAMA IMMEDIATE

C O N F I D E N T I A L STATE 139098 TOSEC 060037

STADIS////////////////////////////////////

FROM BUNKER AND LINOWITZ FOR THE SECRETARY

E.O. 11652: GDS

TAGS: PORG, PN

SUBJECT: PANAMA CANAL NEGOTIATIONS: APPOINTMENT OF  
PANAMANIAN NATIONALS TO THE BOARD OF DIRECTORS

1. WE UNDERSTAND THAT PANAMANIAN FOREIGN MINISTER  
GONZALEZ-REVILLA MENTIONED AT BREAKFAST THIS MORNING THAT  
PANAMA HAS CONSIDERABLE DIFFICULTY ACQUIESCING TO US  
INSISTENCE THAT THE UNITED STATES APPOINT (AND HAVE THE  
POWER TO DISCHARGE) THE THREE PANAMANIAN MEMBERS OF THE  
BOARD OF DIRECTORS OF THE ADMINISTRATIVE ENTITY WHICH IS  
TO OPERATE THE CANAL DURING THE TREATY.

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2. THE FOLLOWING PROVIDES BACKGROUND FOR THIS ISSUE:

A. THE FEBRUARY 1974 STATEMENT OF PRINCIPLES PROVIDES  
THAT UNDER THE TREATY THE UNITED STATES WILL HAVE THE  
RIGHTS TO OPERATE AND MAINTAIN THE CANAL DURING THE  
LIFE OF THE TREATY. THE PRINCIPLES ALSO PROVIDE FOR THE  
PARTICIPATION OF PANAMA IN THE ADMINISTRATION OF THE

CANAL.

B. IN NOVEMBER 1974, THE TWO PARTIES ACCEPTED A CONCEPTUAL AGREEMENT STATING THAT "THE UNITED STATES - ACTING THROUGH

THE ADMINISTRATIVE ENTITY WHICH SHALL ASSUME THE MANAGEMENT OF THE CANAL OPERATION -- SHALL HAVE THE NECESSARY RIGHTS TO OPERATE THE CANAL....".

C. A SECOND CONCEPTUAL AGREEMENT OF NOVEMBER 1974 STATED THAT "THERE SHALL BE GROWING PARTICIPATION OF PANAMANIAN NATIONALS AT ALL LEVELS AND AREAS OF EMPLOYMENT IN THE OPERATION OF THE CANAL, INCLUDING PARTICIPATION IN THE FORMULATION OF OVERALL POLICY".

3. WE BEGAN THE MAY DISCUSSIONS KNOWING THAT, DESPITE EARLIER AGREEMENT, PANAMA WANTED A BINATIONAL AGENCY RATHER THAN A UNITED STATES GOVERNMENT AGENCY. DURING THE MAY NEGOTIATIONS, THE TWO PARTIES AGREED THAT A UNITED STATES GOVERNMENT AGENCY WOULD OPERATE THE CANAL DURING THE LIFE OF THE TREATY WHEN WE ACCEPTED CERTAIN LIMITS ON THE AUTHORITY OF THE UNITED STATES TO STRUCTURE THE AGENCY INCLUDING:

A. A BOARD OF DIRECTORS WITH SEVEN MEMBERS, FOUR TO BE UNITED STATES CITIZENS AND THREE TO BE PANAMANIAN. THE PANAMANIANS WERE TO BE APPOINTED BY THE UNITED STATES FROM A LIST OF NOMINEES TO BE SUBMITTED BY THE GOP. WHILE THE PAPER WAS SILENT ON THE RIGHT OF DISMISSAL, CONFIDENTIAL

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WE UNDERSTOOD THAT THE UNITED STATES WOULD ALSO HAVE THE POWER TO DISCHARGE BOARD MEMBERS.

B. PANAMANIAN PARTICIPATION IN DAY-TO-DAY MANAGEMENT. WE AGREED AT PANAMA'S INSISTENCE THAT UNTIL 1990 THE UNITED STATES WOULD APPOINT A UNITED STATES CITIZEN AS CANAL AGENCY ADMINISTRATOR AND A PANAMANIAN CITIZEN AS DEPUTY ADMINISTRATOR. AFTER 1990, THE UNITED STATES WOULD APPOINT A PANAMANIAN CITIZEN AS ADMINISTRATOR AND A UNITED STATES CITIZEN AS DEPUTY.

4. WHEN THE ROUND RESUMED HERE JUNE 8, PANAMA ASKED FOR A REEXAMINATION OF SEVERAL DETAILS OF THE AGREEMENTS MADE IN MAY. THE THRUST OF THE PANAMANIAN PROPOSED CHANGES WAS TO LIMIT UNITED STATES AUTHORITY TO CARRY OUT ITS RESPONSIBILITY TO OPERATE THE CANAL DURING THE TREATY'S LIFE. IF ACCEPTED BY THE UNITED STATES, THERE IS CONCERN THAT THESE CHANGES COULD REDUCE THE EFFECTIVE CONTROL OF THE UNITED STATES OVER THE OPERATION

OF THE CANAL.

5. ON THE SPECIFIC ISSUE OF BOARD MEMBERS, WE FELT THAT THE MAY AGREEMENT WAS CONSISTENT WITH THE SPIRIT OF THE STATEMENT OF PRINCIPLES IN THAT IT WOULD GIVE PANAMA A STRONG VOICE IN THE ENTITY'S POLICYMAKING PROCESS AS WELL AS IN DAY-TO-DAY OPERATIONS. IT WOULD ALSO PROVIDE TRAINING FOR TOP PANAMANIAN EXECUTIVES, WHO WOULD THEN BE IN A POSITION TO OPERATE THE CANAL UPON EXPIRATION OF THE TREATY. WE CONSIDER THAT THE 4-3 UNITED STATES MAJORITY ON THE BOARD COMBINED WITH RETENTION BY THE UNITED STATES OF AUTHORITY TO APPOINT AND DISCHARGE BOARD MEMBERS AND THE THE ADMINISTRATOR/DEPUTY ADMINISTRATOR WOULD ASSURE SUFFICIENT UNITED STATES AUTHORITY TO CARRY OUT ITS RESPONSIBILITIES. THE MAY AGREEMENT WAS SUFFICIENTLY CLEAR ON THIS POINT THAT WHEN REDUCED TO TREATY LANGUAGE WE WERE CONFIDENT THAT IT WOULD ASSURE DOUBTFUL CONGRESSMEN AND CONFIDENTIAL

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THE AMERICAN PUBLIC THAT THE UNITED STATES WOULD HAVE ALL OF THE POWER AND AUTHORITY REQUIRED TO OPERATE THE CANAL EFFECTIVELY AND EFFICIENTLY. PANAMA'S PRESENT SUGGESTION OBVIOUSLY WOULD INVOLVE A WATERING DOWN OF THIS AUTHORITY.

6. PANAMA HAS NOT INDICATED TO US THE RELATIVE PRIORITY ORDER OF ANY OF ITS RECENT DEMANDS. THE FACT THAT IT HAS MENTIONED THIS ONE TO YOU SUGGESTS THAT SUCH A PRIORITY LISTING MIGHT EXIST. TACTICALLY, HOWEVER, WE SHOULD PROCEED WITH CAUTION.

7. WE ARE NOW WORKING ON LANGUAGE TO TRY TO BRIDGE THE GAP BETWEEN THE POSITIONS OF THE TWO PARTIES ON THIS MATTER. IF THIS ATTEMPT FAILS, WE SHOULD KEEP IN MIND THE DEMARCHE BY GONZALEZ-REVILLA AND USE THIS ISSUE AT A LATER DATE TO TIE UP LOOSE ENDS. WE JUDGE SUCH AN EFFORT NOW, HOWEVER, TO BE PREMATURE. CHRISTOPHER

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**To:** SECRETARY  
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